



**Human Resources Division**  
P.O. Box 942718  
Sacramento, CA 94229-2718  
Telecommunications Device for the Deaf - 711  
(916) 795-3065 FAX - (916) 795-4001

December 14, 2010

### **AGENDA ITEM 3c**

#### **TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE**

- I. SUBJECT:** Executive Compensation Consultant Spring-Fed Pool RFP
- II. PROGRAM:** Administration
- III. RECOMMENDATIONS:**
1. Forego the Optional Performance and Compensation Committee Interviews of RFP Finalists
  2. Recommend the Board Approve the Award of Contracts to the Four Finalists for the Executive Compensation Consultant Spring-Fed Pool

#### **IV. ANALYSIS:**

##### **Background**

Since the inception of the Executive Compensation program, the Board's Executive Compensation Consultant has assisted in establishing and maintaining a sound and comprehensive executive compensation program for the positions covered under the *Compensation Policies and Procedures for Chief Executive Officer, Chief Actuary, General Counsel, and Investment Management Positions*. In June 2010, the Performance and Compensation Committee approved the release of a Request for Proposal (RFP) for the Executive Compensation Consultant with enhanced "Scope of Services" language, as outlined in Attachment 1.

At the Committee's November 2010 meeting, staff presented an item outlining the RFP responses received, the scoring methodology of the responses, and outcome of the RFP evaluation process thus far. Staff also included a recommendation for the Committee to approve the Finalist firms. Based upon the Committee's recommendation in November, the Board approved the following four firms as finalists:

- Koff & Associates, Inc.
- McLagan
- Pearl Meyer & Partners, LLC
- Towers Watson Delaware, Inc.

The Committee also decided at its November 2010 meeting that the Committee would conduct the optional Finalist interviews in December in order to complete the RFP evaluation process. However, subsequent to the November meeting, staff was unable to arrange Finalist interviews on the date of the Committee's December meeting with two of the four Finalist firms. Based upon these new developments, staff makes the following recommendations to the Committee:

**Recommendations**

1. Staff recommends that the Performance and Compensation Committee forego the optional Interviews of RFP Finalists for the Executive Compensation Consultant Spring-Fed Pool.
2. Staff further recommends that the Performance and Compensation Committee award Executive Compensation Consultant Spring-Fed Pool contracts under RFP No. 2010-5619 to all four Finalist firms, subject to final negotiations and satisfaction of all requirements for an effective date in mid-January 2011.

**V. STRATEGIC PLAN:**

Under Goal III of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

**VI. RESULTS/COSTS:**

The management of a competitive compensation program is critical for the attraction and retention of key executives at the highest levels of the organization. This in turn is essential to the success of the organization. Contracting for executive compensation consultation services provides the necessary expertise to the Committee and the Board to ensure that CalPERS executive compensation program meets the needs of the system, and is based on sound compensation principles and best practices. The consultant contract costs are anticipated to be no more than \$100,000 per year and will be paid from the existing budget.

---

MICHAEL A. WILLIHNGANZ, Chief  
Human Resources Division

---

RUSSELL G. FONG  
Interim Assistant Executive Office  
Administrative Services Branch